UNITED STATES PATENT APPLICATION

ENTITLED

AUTOMATED CONSTRUCTION LOAN ADMINISTRATION

METHOD AND SYSTEM

BY

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UNITED STATES PATENT APPLICATION

TITLE: AUTOMATED CONSTRUCTION LOAN ADMINISTRATION
          METHOD AND SYSTEM

PRIORITY CLAIM

This application claims the benefit of previously

filed U. S. Provisional Patent Application with the same

title and inventors as present, assigned USSN 60/240,172,

filed on October 13, 2000, and which is incorporated herein

5 by reference.

BACKGROUND OF THE INVENTION

The present invention relates to a method and system

for automatically administering a loan and, more

particularly, to a method and system for providing a multi-

10 level builders program featuring integrated, automated "on-

line" construction financing and ordering of building

supplies.

The process of constructing and financing a building

project involves many entities and multiple procedures,

15 resulting in a complex and often inconvenient, time

consuming process. Many independent builders must

typically establish multiple separate business

relationships with dealers for obtaining requisite

construction supplies as well as with lenders for obtaining

20 financial means (funding) for such supplies and labor.

These partnerships are inherently accompanied by

complications relative to the builder's project.

Construction financing is an imperative prerequisite

for most building projects, enabling the purchase of

25 building locations (i.e., sites) and necessary supplies as

well as providing for adequate project labor. Construction
financing has typically been provided in many instances by
traditional banking institutions that cater to the
financial needs of multiple entities. Such institutions
often have not given proper prioritization to loans
specific to construction needs. Mergers and acquisitions
in the banking industry have contributed to lower levels of
service for construction loans. Loan officers with
expertise in local markets and businesses are often
transferred or discharged to meet the changes of a dynamic
marketplace. Thus, traditional sources of financing are
hard to come by, forcing a builder to explore alternative
options.

Obtaining a construction loan is only an initial step
in a builder's financial arrangements. Construction loans
are most often tied specifically to the various stages
established or steps completed in a project plan. Draws
are specific to and requested for different components of a
construction project. In order to obtain a new funding
draw, proper project inspection must be undertaken in order
to ensure the timely completion of a certain stage.
Alternatively, the purpose of inspection may be to
establish a partial completion of a step, warranting the
issuance of a corresponding partial payment, e.g., 50%
completion of roof garners 50% payment for the roof step.
The timetable involved in a draw request, project
inspection and subsequent draw approval can be a lengthy
extension to construction financing arrangements, and a
cause of delay in an overall construction project timeline.

Another essential aspect of home construction is the
necessity for building supplies. Such materials need to be
of suitable quality and also need to be purchased,

delivered and utilized in a competitive, orderly and timely manner. There are different supplies and resources employed in each stage of development, and these supplies often come from individual retailers who are not

5 necessarily affiliated with one another. Thus, a coordination of retailers and supply needs is essential to smooth project operation. From a dealer's perspective, a construction client has numerous options in choosing what supplies will be obtained from a specific retailer. Thus,

10 a desire arises for a dealer to retain a builder's entire supply business.

Specific monetary supply and building supply relationships for a builder have typically been distinct from one another. In a more general embodiment, a lender,

15 an inspector and a dealer for a loan borrower's project are typically unique, respective business associates. This apportionment of resources proves to be an inherent obstacle for achieving and maintaining convenient as well as expedient project development. As such, there is

20 currently no way of encompassing all a borrower's needs into one integrated relationship while addressing the intrinsic problems that stem from these individual needs.

SUMMARY OF THE INVENTION

In view of the discussed drawbacks and shortcomings

25 encountered in the prior art, an improved method and system for administering a loan has been developed. Broadly speaking, a general object of the invention is an improved method and system for administering loans.

It is a principal object of the present invention to

30 provide an automated system for administering a loan, the system having a borrower, characterized as the entity who desires a loan.

It is another principal object of the present invention to provide an automated system for administering a loan, the system having an inspector, characterized as the entity who enters a business relationship with a borrower and who oversees certain aspects of subsequent loan and draw processes.

It is a further general object of the present invention to provide an automated system for administering a loan, the system having a system administrator, characterized as the entity who oversees a borrower/inspector relationship and has control over various system processes, including obtaining money and disbursing it to a borrower or other third party.

It is a yet another general object of the present invention to provide an automated system for administering a loan, the system having a lender, characterized as the entity who supplies monetary means for the loan.

It is a further object of the present invention to provide a computerized method for a borrower to be involved in automated financing, the method including a registration process, a certification process, a loan application process, and a draw request process.

It is a further object of the present invention to provide a computerized method for an inspector to be involved in automated financing, the method including a registration process, a certification process and an inspection procedure required for draw payment approval.

It is a further object of the present invention to provide a computerized method for an administrative unit to automatically control the business arrangements and financing, this method accounting for borrower

certification, inspector certification, loan approval and draw request approval.

It is a further object of the present invention to provide various "offline" automatic underwriting processes, such processes utilized as an initial means for approving certain elements of the loan administration process. Underwriting processes are employed during respective certifications of the borrower and inspector as well as during project closing. The processes are further employed for project plan assessment and borrower loan application assessment. Additional "offline" processes incorporate automatic system auditing to ensure quality control of system functions.

It is yet another object of the present invention to provide an automated method and system for providing construction loans, such system including a builder (synonymous with a borrower), a dealer (synonymous with an inspector), a system administrator and a lender.

It is further object of the present invention to provide a funding account that is controllably accessible by dealers and builders and possibly by subcontractors under the builders, with the possibility of electronic funds disbursement available to all parties with access to the account.

It is a further object of the present invention to provide controlled flow of building supplies provided to a builder by a dealer or by other entities subcontracted by the dealer.

It is another present object to provide detailed reports and information services as related to a computerized construction system. Such reporting services include without limitation project tracking, account

management, project portfolio maintenance and various
marketing modules. Other information services may include
tutorials for aided instruction of system components and
functions as well as message boards oriented towards
5   specific system participants.

It is another present object to offer automated
insurance for projects that are managed by the construction
loan system, such insurance having varied options for
specific projects.

10 It is a further present object to provide such
improved methodology and system in an integrated web-based
design.

Further objects of the present invention will become
apparent during a specified description of the invention
15 with reference to detailed drawings. Additional objects
and advantages of the invention are set forth in, or will
be apparent to those of ordinary skill in the art from, the
detailed description herein. Also, it should be further
appreciated that modifications and variations to the
20 specifically illustrated and discussed features or
processes hereof may be practiced in various embodiments
and uses of this invention without departing from the
spirit and scope thereof, by virtue of present reference
thereto. Such variations may include, but are not limited
25 to, substitution of equivalent means and features,
materials, or steps for those illustrated or discussed, and
the functional, operational or positional reversal of
various parts, features, steps, or the like.

Still further, it is to be understood that different
30 embodiments, as well as different presently preferred
embodiments, of this invention may include various
combinations or configurations of presently disclosed

features or elements, or their equivalents (including combinations of features or steps or configurations thereof not expressly shown in the figures or stated in the detailed description). One exemplary embodiment of the present invention relates to an automated method and system for administering loans, such system including a borrower, an inspector and a system administrator. A borrower and an inspector engage in a business relationship relating to subsequent loan and draw process. A system administrator oversees the borrower/inspector relationship and has control over various system processes, including obtaining money and disbursing it to a borrower or other third party. Such embodiment may further include a lender who supplies funding for the loan.

Yet another exemplary embodiment of the present invention involves an automated system for providing construction financing, the system having a system administrator, a builder, a dealer and a lender. A builder is synonymous with a borrowing entity related to construction loans and a dealer is synonymous with an inspecting entity in the same field. A system administrator maintains control over various aspects of the system. This system further comprises a funding account that is controlled by the administrative unit and supplied with funding means (i.e., capital) provided by one or more lenders. The funding account is controllably accessible by dealers and builders and possibly by subcontractors under the builders, with the possibility of electronic funds disbursement available to all parties with access to the account. The system further incorporates controlled flow of building supplies provided to a builder by a dealer or other entities subcontracted by a dealer.

Additional embodiments of the subject invention, not
necessarily expressed in this summarized section, may
include and incorporate various combinations of aspects of
features or steps referenced in the summarized objectives

5   above, and/or other features or steps as otherwise
discussed in this application.

Those of ordinary skill in the art will better
appreciate the features and aspects of such embodiments,
including process steps, and others, upon review of the

10 remainder of the specification.

BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 is a block diagram representing an exemplary
embodiment of system control and participant interaction in
accordance with the present invention.

15 Figure 2 is a block diagram illustrating an exemplary
embodiment of the present invention, in a building loan
specific embodiment thereof.

Figures 3A through 3C illustrate exemplary elements of
the invention method performed by various system entities.

20 In accordance with an embodiment of the invention, these
three figures correspond respectively to entities referred
to as the borrower, inspector and administrator.

Figure 4 is a flow chart illustrating an exemplary
registration process of a builder, or of a borrower in

25 accordance with various embodiments of the present
invention.

Figure 5 is a flow chart illustrating an exemplary
registration process of a dealer, or of an inspector in
accordance with various embodiments of the present

30 invention.

Figure 6 is a flow chart illustrating an exemplary
certification process of a builder, or of a borrower in

accordance with various embodiments of the present invention.

Figure 7 is a flow chart illustrating an exemplary certification process of a dealer, or of an inspector in accordance with various embodiments of the present invention.

Figure 8 is a flow chart illustrating an exemplary builder loan application process in accordance with various embodiments of the present invention.

Figure 9 is a flow chart depicting an exemplary administrative tool utilized for builder certification, or for borrower certification in accordance with various embodiments of the present invention.

Figure 10 is a flow chart depicting an exemplary administrative tool utilized for dealer certification, or for inspector certification in accordance with various embodiments of the present invention.

Figure 11 is a flow chart depicting an exemplary administrative tool utilized in the builder loan application and approval process in accordance with an embodiment of the invention.

Figure 12 is a flow chart depicting an exemplary administrative tool utilized in draw request processing in accordance with an embodiment of the invention.

Figure 13 is a flow chart illustrating an exemplary underwriting process employed for builder certification in accordance with an embodiment of the present invention.

Figure 14 is a flow chart illustrating an exemplary underwriting process employed for dealer certification in accordance with an embodiment of the present invention.

Figure 15 is a flow chart illustrating an exemplary underwriting process utilized in the loan application

process in accordance with an embodiment of the present invention.

Figure 16 is a flow chart illustrating an exemplary closing process in accordance with an embodiment of the present invention.

Figure 17 is a flow chart illustrating an exemplary process for assessing the project plan in accordance with an embodiment of the present invention.

DETAILED DESCRIPTION OF THE DRAWINGS

The present invention includes both a method and system for automatically administering loans, such system including a borrower, an inspector and a system administrator. A general embodiment of this system is referenced by the drawings disclosed in Figure 1 and Figures 3A through 3C. Various entities in accordance with a general embodiment are also present in a more specific embodiment of the invention that relates to a method and system for automatically administering construction loans, such system disclosed in Figure 2. This more specific embodiment specifies a borrowing entity to be a home builder and an inspecting entity to be a building supply dealer. All other figures disclose specific processes of a system and method that may be associated with various embodiments of the present invention. Figures 4 through 8 illustrate various system components that relate to builder and dealer processes. The processes illustrated in Figures 4 through 8 may also relate to a borrower and inspector in accordance with various embodiments of the present invention. Figures 9 through 12 illustrate administrative tools that are utilized by a system administrator in order to control various processes available in the system. Figures 13 through 17 display several underwriting

processes that speed up and automate system decisions and make it easier, effective and efficient for builders to gain loans.

Referring now to the drawings, Figure 1 is a block
5 diagram illustrating an exemplary relationship of control and interaction among system entities. Such a loan administration system includes a borrower 24, a lender 26, an inspector 22, and a system administrator 20. A borrowing entity 24 desires the loan; an inspecting entity 22 enters
10 a business relationship with the borrower 24 and oversees certain aspects of subsequent loan and draw processes; an administrative entity 20 oversees the borrower/ inspector relationship and has control over system processes, including obtaining money and disbursing it to the borrower
15 24 or other third party; a lender 26 supplies monetary means for the loan, but is not directly involved with the borrower/ inspector relationship.

Figure 2 is a block diagram illustrating a specific embodiment of the present invention as it relates
20 to an automated system for providing construction financing, such web-based system having a system administrator 20, a builder 30, a dealer 28 and a lender 26. A builder 30 is synonymous with the borrowing entity 24 but related to construction loans and a dealer 28 is
25 synonymous with the inspecting entity 22 in the same field. A system administrator 20 still maintains control over various aspects of the system. This system further comprises a funding account 32 that is controlled by an administrative unit 20 and supplied with funding means
30 (i.e., capital) provided by a lender 26. The funding account 32 is controllably accessible by a dealer 28 and a builder 30 and possibly by subcontractors under a builder

36, with the possibility of electronic funds disbursement available to all parties with access to the account. The system further incorporates controlled flow of building supplies 34 provided to a builder 30 by a dealer 28 or

5   other entities subcontracted by a dealer 38.

Figures 3A through 3C depict exemplary processes performed by various system entities in accordance with a method of the invention. Figure 3A illustrates exemplary processes undertaken by a borrower 24, or by a builder in

10   accordance with a more specific embodiment of the invention. Processes available to the borrower 24 include registering in the system 40, obtaining borrower certification 42, applying for a loan 44 and requesting a draw 46 on a loan. Figure 3B illustrates exemplary

15   processes undertaken by a inspector 22, or by a dealer in accordance with a more specific embodiment of the invention. Processes accessible by an inspector 22 include registering as an inspector 48, obtaining proper certification 50 and approving a draw payment through

20   proper project inspection 52. Figure 3C illustrates exemplary processes undertaken by a system administrator 20. A system administrator 20 controls various processes included in the system. Of particular utilization are the processes related to borrower certification 54, inspector

25   certification 56, loan approval 58 and draw processing 60.

Figure 4 is a flow diagram illustrating an exemplary process 40 used to register as a builder. The registration process begins when a builder enters the online server system and applies for registration 62. A builder is

30   prompted to supply various personal statistics as an initial step. Once the necessary data is provided, a builder is automatically informed of their unique user name

and password 64 for future access to the system. A registered builder is then assigned to a Builder Team 66 by the zip code supplied during registration. A builder home page is then generated 68, such homepage created to provide a builder with access to valuable account information. Internal systems are then updated 70 with the newly saved registration information and a final step of the process is to prompt a builder to become certified.

Figure 5 is a flow diagram illustrating an exemplary process 48 used to register a client as a dealer. This registration process begins when a dealer enters the online server system and applies for registration 72. Once the necessary data is provided, a dealer is automatically informed of their unique user name and password 74 for future access to the system. A registered dealer is then assigned to a Builder Team 76, members of which a dealer will supply construction materials to. A dealer home page is then generated 78, such homepage created to provide a dealer with access to valuable account information. Internal systems are then updated 80 with the newly saved registration information and a final step of the process is to prompt a dealer to become certified.

Figure 6 is a flow diagram illustrating an exemplary process 42 used for builder certification. A builder goes to his generated website and applies for certification 81. Various online information is requested and subsequently gathered from a builder 82, such information including specific personal, financial and business related facts. Once the required information is completely entered, a builder is informed to send required offline information 84. A system administrator starts the process of certification by going through the submitted online

information and implementing an automatic underwriting

process 86. A system administrator then waits for offline

information to become available. Once this is available,

any pertinent information is manually entered into the

5   system and then analyzed 88. Confirmation is then obtained

from a dealer 90 of the fact that they have been chosen as

a sponsor by a particular builder. The builder and dealer

are then updated on the results of the certification

process 92. Finally, a builder homepage 92 and any related

10   internal information systems 94 are also updated.

Figure 7 is a flow diagram illustrating an exemplary

process 50 used for dealer certification. A dealer goes to

its generated website and applies for certification 95.

Various online information is requested and subsequently

15   gathered from a dealer 96, such information including

specific business and contact facts. Once the required

information is completely entered, a dealer is informed to

send required offline information 98. A system

administrator starts the process of certification by going

20   through the submitted online information and implementing

an automatic underwriting process 100. A system

administrator then waits for offline information to become

available. Once this is available, any pertinent

information is manually entered into the system and then

25   analyzed 102. A dealer and their corresponding homepage is

then updated 104 on the results of the certification

process 50. Subsequently, any related internal information

systems are also updated 106.

Figure 8 is a flow diagram illustrating an exemplary

30   process 44 used in a builder's loan application process. A

builder goes to its respective website and requests to

apply for a loan 107. A detailed description of a project

plan is submitted with the convenience of many online static project templates 108. Various other online information is requested 110 and subsequently completed by a builder. System administration starts the process of

5 loan approval by going through the submitted online information. A system administrator then requests offline project plan information 112 and waits for it to become available. Once this is available, any pertinent information is manually entered into the system and then

10 analyzed in conjunction with an automatic underwriting process 114 developed specifically for this information. A builder and respective dealer are contacted 116 and informed of the loan application's status.

Figure 9 is a flow diagram depicting an exemplary

15 administrative tool 54 employed for builder certification. Members of system administration utilize this tool to proactively manage the process of making sure that the procedure associated with builder certification is efficiently and effectively executed. Once a builder has

20 been registered, new information is available to the system. Such information is made available upon request for builder certification 81. The system internally establishes the completion of all necessary online information 118. Communication with a dealer is

25 established 120 in order to approve a corresponding builder/ dealer relationship and other aspects. Off-line information is now requested 122 as related to a builder. Once the information arrives, the system is updated 124 with the received data. The off-line information is

30 analyzed 126 and a credit line is determined 128 from this information. All internal systems 130 as well as a respective builder and dealer 132 are then updated about

the builder certification process. As soon as a builder
establishes certification, they are eligible to take a loan
and are thus automatically prompted to do so 134.

Figure 10 is a flow diagram depicting an exemplary
5   administrative tool 56 employed for dealer certification.
Members of system administration utilize this tool to
proactively manage the process of making sure the procedure
associated with dealer certification is efficiently and
effectively executed. Once a dealer has been registered,
10   new information is available to the system. Such
information is made available upon request for dealer
certification 95. The system internally establishes
completion of necessary online information 136. Off-line
information is then requested 138 as related to a dealer.
15   Once the information arrives, the system is updated 140
with the received data. Off-line information is analyzed
142 to determine if dealer certification is to be issued.
Internal systems are updated 144 relative to this
information and a dealer is contacted 146 with a
20   certification status update.

Figure 11 is a flow diagram depicting an exemplary
administrative tool 58 utilized in the builder loan
application process. Members of system administration
utilize this tool to proactively manage the process of
25   making sure the procedure associated a loan product is
efficiently and effectively executed. A builder may apply
for a loan only after they have been registered and
certified in the web-based system. Such an administrative
tool automatically checks new builder information and also
30   checks for completion of information 148 upon a builder's
loan request 107. If certain data is missing, then
communication with a builder obtains such deficient

information. During the loan application underwriting process, project appraisal information is requested from a third party vendor. If this appraisal is available to the system, then the information is keyed into the system 150.

5 If not, communication is established with an appraisal company 152. Internal systems are then updated 154 with the new project information. While information is being received from an appraisal company, loan status is constantly checked and updated 156 relative to the newly

10 available data. Once all pertinent information is available to the system, the administrative tool enables a final decision 158 on whether or not to approve the loan closing process. If the process is initialized, then communication is established with a builder 160 to discuss

15 pricing figures for loan funding. The process ends when a cost outline is instituted and a final closing process starts 162.

Figure 12 is a flow diagram depicting an exemplary administrative tool 60 utilized in draw request processing.

20 Once a certified builder has been approved for a loan, the builder would take advantage of the dynamic draw request product offered by the system. Members of system administration utilize the tool to proactively manage the process of making sure the procedure associated with draw

25 requests and approvals is efficiently and effectively executed. Upon a builder's draw request 46, any new information is entered into the system. A significant aspect of approving a draw request 46 is a review of an inspection report 168. If this is unavailable, then there

30 are various possible courses of action depending on who will perform the project inspection. If a dealer is to inspect the project (a typical occurrence), then

communication is established with a dealer 52. It is also
possible that the inspection will be performed by an
outside agency 174 not associated with a dealer.
Regardless of who performs the inspection, an inspection

5   report comes back to the system 172. If the inspection
report is approved, then communication with a builder is
established 176 to inform them of the process status.
Funding is sent accordingly178 and the process is complete.

   Figure 13 is a flow diagram illustrating an exemplary

10   underwriting process 86 employed for builder certification.
The objective of this process is to speed up and automate
the process of underwriting of builder certification. An
initial step in this process is to gather available,
pertinent information related to a builder. System

15   administration then analyzes the financial healthiness of a
builder 180 based on builder registration. A similar
analysis based on builder registration is performed to
analyze operating history 182 and credit history 184 of a
builder. It is recommended that a builder's history of

20   operation go along well with typical system priorities. A
builder's credit history must also meet base line
requirements. A dealer is then contacted 186 to crosscheck
a builder's historical information. System administration
then makes a decision on confirmation of certification 188.

25   Upon certification approval 190, a builder, a dealer and
any related information systems are updated on the results
of the certification process.

   Figure 14 is a flow diagram illustrating an exemplary
underwriting process 100 employed for dealer certification.

30   The objective of this process is to speed up and automate
the process of underwriting of dealer certification as much
as possible. An initial step in this process is to gather

available, pertinent information related to a dealer. System administration then analyzes the financial healthiness of a dealer 192 based on dealer registration. System administration then makes a decision on confirmation

5   194 of this certification process. Upon certification approval 196, a dealer and builder as well as any related information systems are updated on the results of the certification process.

Figure 15 is a flow diagram illustrating an exemplary
10   underwriting process 114 utilized in the loan application process. The objective of this process is to enable builders to gain and manage loans in a more efficient and expedient manner. Once loan application information comes into the system, system administration checks to see if the
15   builder is certified. Upon confirmation of builder certification, a system administrator assesses the submitted project plan 198. If a plan meets an established set of criteria, then the project plan is approved. Upon approval, a closing process 200 is started and any related
20   information systems are updated with the results.

Figure 16 is a flow diagram illustrating an exemplary closing process 200 that is a subprocess of the builder loan application process. Upon loan approval, a closing process is initiated and system administration decides
25   which information to order 202 based upon builder registration. Next, an appraisal associate or other third party vendor is contacted 204 in regards to information that needs to be ordered. Subsequent updates are received 206 from a vendor and the builder's underwriting loan
30   process is updated of the results/ updates. A builder and builder homepage are updated 208 in regards to the closing process status. Any other related internal information

systems are also updated 210 before the closing process ends.

Figure 17 is a flow diagram illustrating an exemplary project plan assessment process 198, a subprocess of the builder loan application process. After a builder has been certified and subsequently applies for a loan, a project plan must be evaluated. This underwriting subprocess helps to speed up the loan application process by proactively helping a builder establish their project plan. System administration checks to see if the project plan meets the cost estimation criteria 212 based upon builder registration information. The project plan is now checked to determine if it meets the loan amount bar criteria 214 and if it corresponds with an expected market value 216. A dealer is then contacted to obtain approval. A third party associate is contacted to order appraisal information 220. Once this information is obtained, system administration checks to see if the project plan has passed the appraisal evaluation. A final step of assessment is the system administrator performing various internal calculations 222 related to the project plan. Any related information systems are consequently updated and results are passed on to the builder loan application process.

While the invention has been described in detail with respect to specific embodiments thereof, it will be appreciated that those skilled in the art, upon attaining an understanding of the foregoing may readily conceive of alterations to, variations of and equivalents to these embodiments. Accordingly, the scope of the present invention should be assessed as that of the disclosed variation and any equivalents thereto.